

Sometimes a City Has to Have Fun

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Article:

Economics is an increasingly common tool in policy-making. Over the years, the federal government and many state governments have increased their use of cost-benefit analysis. Local governments have come to rely on studies that measure the economic benefits of this project or that.

On the whole, this is a highly desirable development. Economics can help determine whether a given project is a good idea or not. It can help a decision-maker choose the best option from a set of possible alternatives. And once a decision is made, economics provides a logical justification for that decision.

And economics has proven to be highly flexible. As the increased prominence of environmental economics has shown, non-monetary considerations can be included in order to make the analysis as comprehensive as possible.

But not every tool works in every situation. The FedEx issue is inherently economic and requires economic tools. Yet more and more, it seems to me that some questions are best answered without formal economics.

For example, two years ago I wrote a column in this newspaper about the then-controversial issue of a publicly-funded baseball stadium in the Triad ("Ballpark Figures," March 29, 1998). Supporters of the stadium claimed it would be a wonderful engine for regional economic development.

In fact, no publicly funded stadium in the U.S. has ever returned anything near an acceptable rate of return, when viewed from the entire community's perspective. That was the main point of my column: Don't vote for the stadium thinking that you're doing wonders for the area economy.

But in the column I also noted that in spite of this, voting for the stadium would make sense if people simply wanted major-league baseball in the Triad. There's nothing irrational about voting for something because it's fun. Fun doesn't necessarily contradict economics.

We all spend money on products and activities just for the fun of it. To be sure, it's possible for an economist to trace the flow of that spending, weigh it against the costs, and estimate an effect on the economy. But for some projects, perhaps all that matters is that they're fun.

In the case of the baseball stadium, the referendum failed. Either Triad voters didn't think major-league baseball would be fun enough, or they were skeptical of the grandiose economic claims. Of course, we later learned that it didn't matter anyway. We'd all been used as pawns in the Minnesota Twins' stadium negotiations with Minneapolis and St. Paul.

I thought again about fun and economics after someone asked me about the likely economic impact of the proposed "downtown centerpiece" in Greensboro.

The centerpiece, the brainchild of the private Greensboro Millennium Committee, would be a combination marketplace/town square, with shops, benches, trees, and a fountain. The Committee estimates its cost will be around \$10 million, to be financed from both public and private sources.

What would be the economic consequences of such a gathering and shopping place? It's possible that it would attract new businesses to Greensboro. It's possible that more people (and their dollars) would come in from neighboring towns to get a little taste of city life.

In principle, one could come up with some estimates of these effects. The estimates would rely heavily on hard-to-gather data or, in their place, a raft of assumptions. Instead, why don't we just think about the aesthetics of the project?

One of the keys to rebuilding a downtown economy is to give people a reason to stay for a little while after the workday ends, and to give others a reason to come downtown. The Millennium Committee's drawings of the proposed development (viewable on the Internet at www.news-record.com/news/local/gso/millennium.html), depict a pleasant venue for eating, shopping, and meeting people.

The Three R's of downtown revitalization are retail, restaurants, and residential. The Millennium centerpiece addresses the first two of these, and two out of three ain't bad.

Big cities have more than one such place. New York City's South Street Seaport is nice, but one would hardly call it the city's defining location. But small and mid-size cities need a focal point downtown. Wonderful examples include Baltimore's Inner Harbor, San Antonio's Riverwalk, and St. Louis's Gateway Arch.

Like these examples, the Millennium centerpiece would play up what little "cityness" Greensboro has. When I first moved to Greensboro 11 years ago, I soon realized that my old hometown of Evanston, Ill., was a suburb but not suburbia, while Greensboro was suburbia but not a suburb. Then, as now, I felt Greensboro could stand a touch of citifying. But only a touch.

For all the bad press cities get, millions of people find it worth the extra expense to live there. Some city dwellers have no other options, but the extra living expense paid by those who do is a measure of the net value of urban amenities.

Nobody is saying that Greensboro should try to be Baltimore or San Antonio. Greensboro is already a wonderful city. But it could be better, and more fun, with a downtown center for us to play in.

Whew! I've held out long enough. I have to do a little economics. The Millennium Committee is asking that \$3.6 million of the expected \$10 million price tag be financed by Greensboro city bonds. The deferred financial obligation created by a \$3.6 million bond will be about a dollar per year for the owner of a home appraised at \$100,000.

So the downtown centerpiece will cost a few bucks per year. Isn't that a pretty good price for some good, clean fun?